

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 ABF-01 FSE-00 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10

SS-20 STR-08 CEA-02 L-03 H-03 PRS-01 PA-04 USIA-15

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TO SECSTATE WASHDC 5096

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TAGS: EFIN, IR

SUBJ: IRAN FOREIGN EXCHANGE MEASURES

REF: TEHRAN 315

1. QUOTED BELOW IS TELEGRAM SENT BY CENTRAL BANK OF IRAN (CBI) TO INTERNATIONAL MONETARY FUND SECRETARY HEBBARD EXPLAINING STEPS TAKEN TO LIBERALIZE FOREIGN EXCHANGE TRANSACTIONS (REFTEL). TEXT IS ESSENTIALLY SAME AS EMBASSY TRANSLATION OF CBI CIRCULAR ISSUED JANUARY 15 OUTLINING NEW FOREIGN EXCHANGE PROCEDURES.

2. BY VIRTUE OF ARTICLES 29 AND 11 OF THE MONETARY AND BANKING LAW, THE CENTRAL BANK OF IRAN TOOK THE FOLLOWING MEASURES AND INSTRUCTED THE BANKS IN IRAN TO EXECUTE THEM IMMEDIATELY:

(1) EXPORTERS HENCE FORTH HAVE THE OPTION TO SELL THEIR FOREIGN EXCHANGE EARNINGS EITHER TO BANKS OR IN THE FR

MARKET. (2)

BANKS MAY PURCHASE FOREIGN EXCHANGE EARNINGS RESULTING FROM EXPORTS AND SERVICES AT CURRENT MARKET PRICES AND SELL THE SAID PURCHASED EXCHANGES IN WHATEVER MANNER THEY CONSIDER ADVISABLE.

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(3) BANKS MAY PURCHASE ON THE BASIS OF CENTRAL BANK REGULATIONS, OR AT THEIR OWN DISCRETION, FOREIGN EXCHANGE RESULTING

FROM INDIVIDUALS AND PRIVATE AS WELL AS PUBLIC SECTOR INSTITUTIONS' LOANS, INVESTMENTS AND DEPOSITS AND SELL THE SAID FOREIGN EXCHANGE IN WHATEVER MANNER THEY CONSIDER ADVISABLE.

(4) CENTRAL BANK IS PREPARED TO PURCHASE THE EXCESS SUPPLY OF FOREIGN EXCHANGE STIPULATED UNDER (2). (5) IF INDIVIDUALS AND INSTITUTIONS INTEND TO SELL THEIR FOREIGN EXCHANGE LOANS, INVESTMENTS AND DEPOSITS TO AND PURCHASE FROM, AT THE TIME OF REMITTANCE, CENTRAL BANK AT THE OFFICIAL RATE, MUST OBTAIN THE APPROVAL OF CENTRAL BANK AND ABIDE BY OTHER REGULATIONS PRIOR TO TRANSFERRING SUCH FOREIGN EXCHANGE TO IRAN. (6) BANKS MAY, BY OBSERVING CENTRAL BANK REGULATIONS, ACCEPT EXCHANGE DEPOSITS FROM ANY NATURAL OR LEGAL PERSON AND MAKE USE OF SUCH DEPOSITS IN WHATEVER MANNER THEY CONSIDER ADVISABLE. (7) THE PURCHASED FOREIGN EXCHANGE AND ACCEPTED DEPOSITS (SUBJECT OF PARAS. 2, 3 AND 6) WILL BE TERMED AS 'NON-COMMERCIAL EXCHANGES' AND BANKS ARE REQUIRED TO RECORD SUCH TRANSACTIONS IN A SEPARATE ACCOUNT. (8) THE AMOUNT OF SALE OF 'NON-COMMERCIAL EXCHANGES' BY ANY BANK SHOULD NOT AT ANY TIME EXCEED THOSE PURCHASED FROM CUSTOMERS BY THAT BANK. (9) IN ORDER TO MAINTAIN ORDER IN THE EXCHANGE MARKET, THE BANKS ARE REQUIRED TO COMPILE, IN THE MANNER TO BE PRESCRIBED BY CENTRAL BANK, ALL THE DATA RELATING TO THE PURCHASE AND SALE OF FOREIGN EXCHANGE AND SUBMIT SUCH DATA TO CENTRAL BANK AT THE CLOSE OF BUSINESS ON EACH THURSDAY OF THE WEEK AND ALSO AT THE END OF EACH MONTH. (10) THE SALE OF FOREIGN EXCHANGE TO BANKS BY CENTRAL BANK, FOR REASONS NOT SPECIFIED ABOVE, WILL CONTINUE TO BE ON THE BASIS OF CIRCULARS ALREADY COMMUNICATED TO BANKS."

3. PUBLIC SECTOR BANK MELLI ON JANUARY 15 SET "NON-COMMERCIAL" BUYING RATE OF RLS. 68 TO ONE DOLLAR AND SELLING RATE OF RLS. 68.5. RIAL/DOLLAR RATE USED BY PRIVATE MONEY CHANGERS HAS DROPPED TO ONE RIAL ABOVE THIS RATE, AND TRADING REPORTED TO BE LISTLESS. CBI VICE GOVERNOR KOOROS TOLD EMBOFF HE EXPECTS MANY OF MONEY CHANGERS SOON TO BE OUT OF BUSINESS. SOME SPECULATE THAT RATE OF EXCHANGE PROBABLY WILL SETTLE AT ABOUT RLS. 70 TO THE DOLLAR AFTER MARKET BECOMES ADJUSTED TO NEW PROCEDURES. BANKERS, HOWEVER, ARE TAKING WAIT AND SEE POSITION AND PROBABLY WILL FOLLOW LEAD OF BANK MELLI. "COMMERCIAL"

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FOREIGN EXCHANGE TRANSACTIONS, I.E. THOSE INVOLVING EXPORTS, WILL REMAIN AT RLS. 67.50 BUYING AND RLS. 67.75 TO THE DOLLAR SELLING RATE.

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